



Condensed Consolidated Interim Financial Statements
(Expressed in Canadian Dollars)

WAVERLEY PHARMA INC.

Three months ended March 31, 2020
(unaudited)

In accordance with National Instruments 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2020.



Condensed Consolidated Interim Statements of Financial Position
 (expressed in Canadian dollars)
 (unaudited)

	Note	March 31, 2020	December 31, 2019
Assets			
Current assets:			
Cash		\$ 998,166	\$ 1,477,417
Accounts receivable	3, 7(b)	842,259	926,579
Inventory	4	163,655	87,754
Prepaid expenses and other current assets		129,739	47,463
Total current assets		2,133,819	2,539,213
Non-current assets			
Intangible assets	5	2,025,709	1,854,509
Total non-current assets		2,025,709	1,854,509
Total assets		\$ 4,159,528	\$ 4,393,722
Liabilities and Equity			
Current liabilities:			
Accounts payable and accrued liabilities	8(b)	\$ 525,240	\$ 574,295
Current portion of license fee payable	7(b)	851,220	974,100
Total current liabilities		1,376,460	1,548,395
Total liabilities		1,376,460	1,548,395
Equity:			
Share capital	6(b)	7,000,100	7,000,100
Contributed surplus		846,931	825,560
Accumulated other comprehensive income		123,318	24,417
Deficit		(5,187,281)	(5,004,750)
Total equity		2,783,068	2,845,327
Total liabilities and equity		\$ 4,159,528	\$ 4,393,722

Commitments and contingencies (Note 7)
Subsequent events (Note 10)

See accompanying notes to the condensed consolidated interim financial statements.



Condensed Consolidated Interim Statements of Net Loss and Comprehensive Loss
 (expressed in Canadian dollars)
 (unaudited)

For the three months ended March 31	Note	2020	2019
Revenue from contracts with customers		\$ 339,021	\$ 242,372
Cost of goods sold	4	346,133	211,709
Gross Profit		(7,112)	30,663
Expenses:			
General and administrative		\$ 171,674	\$ 192,909
Research and development		30,964	45,329
		202,638	238,238
Loss before the undernoted		(209,750)	(207,575)
Other income:			
Loss recovery under profit sharing arrangement	7(b)	-	(12,363)
		-	(12,363)
Finance income:			
Finance income, net		(5,841)	(17,577)
Foreign exchange gain		(21,377)	(5,565)
		(27,218)	(23,142)
Net loss		\$ (182,532)	\$ (172,070)
Translation adjustment		98,902	(26,911)
Comprehensive loss		\$ (83,630)	\$ (198,981)
Loss per share attributable to shareholders:			
Basic and Diluted	6(e)	\$ -	\$ -
Weighted average shares outstanding:			
Basic and Diluted	6(e)	54,000,000	54,000,000

See accompanying notes to the condensed consolidated interim financial statements.



Condensed Consolidated Interim Statements of Changes in Equity
 (expressed in Canadian dollars)
 (unaudited)

	Note	Share Capital	Warrants	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total
Balance, December 31, 2018		\$ 7,000,100	\$ 244,097	\$ 434,647	\$ 83,444	\$ (3,789,972)	\$ 3,972,316
Net loss for the three months ended March 31, 2019		-	-	-	-	(172,070)	(172,070)
Other comprehensive loss for the three months ended March 31, 2019		-	-	-	(26,911)	-	(26,911)
Stock-based compensation	6(c)	-	-	43,002	-	-	43,002
Balance, March 31, 2019		\$ 7,000,100	\$ 244,097	\$ 477,649	\$ 56,533	\$ (3,962,042)	\$ 3,816,337
Balance, December 31, 2019		\$ 7,000,100	\$ -	\$ 825,560	\$ 24,417	\$ (5,004,750)	\$ 2,845,327
Net loss for the three months ended March 31, 2020		-	-	-	-	(182,532)	(182,532)
Other comprehensive income for the three months ended March 31, 2020		-	-	-	98,902	-	98,902
Stock-based compensation	6(c)	-	-	21,371	-	-	21,371
Balance, March 31, 2020		\$ 7,000,100	\$ -	\$ 846,931	\$ 123,318	\$ 5,187,281)	\$ 2,783,068

See accompanying notes to the condensed consolidated interim financial statements.



Condensed Consolidated Interim Statements of Cash Flows
 (expressed in Canadian dollars)
 (unaudited)

For the three months ended March 31	Note	2020	2019
Cash (used in) provided by:			
Operating activities:			
Net loss for the period		\$ (182,532)	\$ (172,070)
Stock-based compensation	6(c)	21,371	43,002
Changes in working capital accounts:			
Accounts receivable		84,320	(12,352)
Inventory		(75,901)	(49,259)
Prepaid expenses and other current assets		(82,276)	(8,674)
Accounts payable and accrued liabilities		(49,055)	96,398
Cash flows used in operating activities		(284,073)	(102,955)
Financing activities:			
Payments on license fees payable		(199,455)	-
Cash flows used in financing activities		(199,455)	-
Decrease in cash		\$ (483,528)	\$ (102,955)
Effect of exchange rate differences on cash		4,277	(8,207)
Cash, beginning of period		1,477,417	2,942,968
Cash, end of period		\$ 998,166	\$ 2,831,806

See accompanying notes to the condensed consolidated interim financial statements.



Notes to the Condensed Consolidated Interim Financial Statements
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1. Reporting entity:

Waverley Pharma Inc. ("**Waverley**" or the "**Company**") was incorporated as Buffalo Capital Inc. ("**Buffalo**") pursuant to the provisions of the Canada Business Corporations Act ("**CBCA**") on December 14, 2016 and was classified as a Capital Pool Corporation ("**CPC**") as defined by Policy 2.4 of the TSX Venture Exchange (the "**Exchange**"). On October 24, 2017, the Company completed a qualifying transaction (the "**QT**") with Waverley Pharma Inc. and resumed as Waverley Pharma Inc. in accordance with the CBCA.

The Company is domiciled and incorporated in Canada and its Common Shares are listed on Tier 2 of the Exchange under the symbol "WAVE". The address of the Company's registered office and head office is 4-1250 Waverley Street, Winnipeg, Manitoba, Canada, R3T 6C6.

The Company is a biopharmaceutical company engaged in the research, development and commercialization of human therapeutics focused on oncology. Through its wholly-owned Barbadian subsidiary, Waverley Pharma International Inc. ("**WPIL**"), the Company has entered into a license, manufacture, supply, marketing and distribution agreement with Reliance Life Sciences Private Limited. ("**RLS**" or the "**Licensor**") by which the Licensor granted the Company an exclusive territorial license to market and sell Capecitabine in the United Kingdom (the "**UK**") and Germany as well as a non-exclusive territorial license to market and sell Temozolomide in the UK. Additionally, the Company has acquired exclusive territorial licenses from RLS to two oncologic drugs currently under development, WAV-101 and WAV-102 in the United States and its territories (the "**USA**"), Canada, and the European Union (the "**EU**"), excluding the UK, where a non-exclusive territorial license has been acquired. These products are marketed through the Company's wholly-owned Irish subsidiary, Waverley Pharma Europe Limited ("**WPEL**").

2. Basis of preparation:

(a) Statement of compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and Interpretations issued by the International Financial Reporting Interpretations Committee ("**IFRIC**").

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting* and have been prepared using the same accounting policies and methods of application as those used in the Company's audited consolidated financial statements for the year ended December 31, 2019. These condensed consolidated interim financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2019.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors (the "**Board**") on May 29, 2020.

(b) Basis of presentation

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss which are measured at fair value.

(c) Going concern

These consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Company is a research and development stage company and as such is primarily dependent on financing provided from external sources to continue as a going concern. Management intends to raise capital in order to fund its operations, however, the outcome of these matters cannot be predicted at this time. In addition, there is uncertainty surrounding the potential impacts of COVID-19 and BREXIT on the Company and its subsidiaries. The global pandemic COVID-19 has resulted in uncertainties surrounding the internal shipment of products, fluctuations of foreign exchange and the impact on intangible assets. Due to the preventive measures taken by the UK and EU with respect to preventing the spread of

Notes to the Condensed Consolidated Interim Financial Statements
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2. Basis of preparation (continued):

(c) Going concern (continued):

the virus, the Company is unable, at this time, to assess the impact of both COVID-19 and BREXIT on the Company and its subsidiaries' operations. These material uncertainties exist that may cast significant doubt upon the Company's ability to continue as a going concern. In the future, the Company's ability to continue as a going concern will be dependent upon its ability to attain profitable operations and generate funds there from, and to continue to obtain borrowings from third parties sufficient to meet current and future obligations and/or restructure the existing liabilities. These consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue its operations.

(d) Functional and presentation currency

The condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented has been rounded to the nearest dollar except where indicated otherwise.

(e) Use of estimates and judgments

The preparation of condensed consolidated interim financial statements in conformity with IFRS requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses during the period.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Areas in which management has made critical judgments in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements include the determination of the Company's and its subsidiaries' functional currencies.

Information about key assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year are included in the following notes to the consolidated financial statements for the year ended December 31, 2019:

- Note 3(e): Estimates of variable consideration receivable from revenue from contracts with customers
- Note 3(g): Estimates of the measurement and valuation of inventory
- Note 3(h): Estimates of the measurement and period of use of intangible assets
- Note 3(i): Estimates of accruals for research and development costs
- Note 3(l): Estimates and assessment of the recoverability of unused tax losses and deductible temporary differences
- Note 3(n): Estimates regarding assumptions used to estimate the value of share-based payment transactions and warrants

3. Accounts receivable

	March 31, 2020	December 31, 2019
Trade accounts receivable	\$ 821,793	\$ 668,705
Other accounts receivable	20,466	257,874
	\$ 842,259	\$ 926,579

As at March 31, 2020, there was one customer with amounts owing greater than 10% of the Company's trade accounts receivable which totaled 100% in aggregate (December 31, 2019 – one customer totaling 100%).



Notes to the Condensed Consolidated Interim Financial Statements
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4. Inventory

Inventory consists of finished product available for sale to customers. Inventory expensed as part of cost of goods sold during the three months ended March 31, 2020 totaled \$346,133 (2019 – 211,709).

5. Intangible assets:

Cost		Licenses
Balance, December 31, 2018	\$	1,909,880
Acquisitions		36,189
Effects of movements in exchange rates		(91,560)
Balance, December 31, 2019	\$	1,854,509
Effects of movements in exchange rates		172,200
Balance, March 31, 2020	\$	2,025,709

On August 30, 2017, the Company acquired exclusive territorial licenses from RLS to sell and market two generic cancer drugs in the USA, Canada and the EU (excluding the UK where a non-exclusive territorial license was acquired).

The Company has considered indicators of impairment as at March 31, 2020 and 2019 and did not record an impairment charge in either the three months ended March 31, 2020 or 2019.

As the intangible assets relate to products under development, they are not currently available for use and as such, no amortization has been recorded to March 31, 2020.

6. Capital stock:

(a) Authorized

The Company has authorized share capital of an unlimited number of common voting shares.

(b) Shares issued and outstanding

Shares issued and outstanding are as follows:

	Number of Common Shares		Amount
Balance, December 31, 2018	54,000,000	\$	7,000,100
Balance, December 31, 2019	54,000,000	\$	7,000,100
Balance, March 31, 2020	54,000,000	\$	7,000,100

(c) Stock option plan

The Company has an incentive stock option plan (the “Plan”) whereby the Company may grant directors, officers, employees and contractors incentive stock options to purchase voting common shares of the Company. The terms and conditions of each option granted under the Plan are determined by the Board. The number of common shares reserved for issuance upon the exercise of options is limited to a maximum of 10% of the issued and outstanding common shares of the Company at any time.

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6. Capital stock (continued):

(c) Stock option plan

The fair value of the stock options issued during the period ended March 31, 2020 was estimated using the following Black-Scholes Model assumptions:

Expected life	5 years
Expected volatility	55.00%
Risk free rate	1.29%
Dividend yield	-
Underlying share price	\$0.10
Strike price	\$0.10

Expected volatility was estimated by reference to comparable listed entities. Stock-based compensation expense for the three months ended March 31, 2020 totaling \$21,371 (2019 – \$43,002) was recorded in general and administrative expenses during the period. The compensation expense was determined based on the fair value of the options at the date of measurement using the Black-Scholes option pricing model. The expected life of stock options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Changes in the number of options outstanding during the three months ended March 31, 2020 and 2019 are as follows:

For the three months ended March 31	2020		2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of period	1,750,000	\$ 0.39	1,750,000	\$ 0.39
Granted	275,000	\$ 0.10	-	-
Balance, end of period	2,025,000	\$ 0.35	1,750,000	\$ 0.39
Options exercisable, end of period	1,253,332	\$ 0.36	633,333	\$ 0.36

Notes to the Condensed Consolidated Interim Financial Statements
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6. Capital stock (continued):

(c) Stock option plan (continued):

The following is a summary of the 2,025,000 outstanding options issued under the Plan:

Exercise price	Number outstanding	Weighted average remaining contractual life	Number exercisable	Weighted average remaining vesting period
\$0.200	300,000	7.1 years	300,000	-
\$0.260	400,000	3.3 years	195,000	-0.6 years
\$0.285	50,000	3.7 years	16,666	0.7 years
\$0.500	1,000,000	7.6 years	666,666	0.1 years
\$0.100	275,000	4.8 years	75,000	1.3 years
	2,025,000		1,253,332	

(d) Warrants

Changes in the number of warrants outstanding during the three months ended March 31, 2020 and 2019 are as follows:

Three months ended March 31	2020		2019	
	Warrants	Weighted average exercise price	Warrants	Weighted average exercise price
Balance, beginning of period ⁽¹⁾⁽²⁾	-	\$ -	970,000	\$ 0.44
Balance, end of period	-	\$ -	970,000	\$ 0.44

⁽¹⁾ On April 27, 2017, Buffalo granted 200,000 warrants to an agent as partial compensation for their role in a completed financing. The warrants converted into warrants of Waverley upon the completion of the QT. Each warrant entitles the holder to purchase one (1) common share of Waverley and are exercisable within 24 months of the date of grant at an exercise price of \$0.20 per common share. On April 27, 2019, all 200,000 warrants expired without being exercised.

⁽²⁾ On October 24, 2017, immediately prior to the QT, Buffalo granted 770,000 warrants to an agent as partial compensation for their role in a completed financing. The warrants converted into warrants of Waverley upon the completion of the QT. Each warrant entitles the holder to purchase one (1) common share of Waverley and are exercisable within 24 months of the date of grant at an exercise price of \$0.50 per common share. On October 24, 2019, all 770,000 of the remaining warrants issued upon the completion of the QT expired without being exercised.

(e) Per share amounts

The weighted average number of common voting shares outstanding for the three months ended March 31, 2020 was 54,000,000 (2019 – 54,000,000). Effects of dilution from 2,025,000 options were excluded from the calculation of weighted average shares outstanding for diluted loss per share for the three months ended March 31, 2020 as they are anti-dilutive. Effects of dilution from 1,750,000 options and 970,000 warrants were excluded from the calculation of weighted average shares outstanding for diluted loss per share for the three months ended March 31, 2019 as they are anti-dilutive.

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7. Commitments and contingencies:

(a) Commitments

As at March 31, 2020, and in the normal course of business, the Company has obligations to make future payments representing contracts and other commitments that are known and committed. The Company, through a subsidiary, WPEL has committed to purchase inventory totaling £9,255 and an office space lease at a rate of €1,095 per month for a term ending October 31, 2020. All commitments are current and expected to be settled within one year of March 31, 2020.

(b) Contingencies

June 7, 2018 agreement

On June 7, 2018, the Company, through WPIL, entered into a license, manufacture, supply, marketing and distribution agreement with RLS by which the Licensor granted the Company an exclusive territorial license to market and sell Capecitabine in the UK and Germany and non-exclusive territorial license to market and sell Temozolomide in the UK. Additionally, the Company assumed the obligations associated with binding contracts held by the Licensor for the supply of these products to the UK NHS. All inventory purchased for resale will be purchased from RLS, in accordance with the June 7, 2018 agreement.

In connection with the signing of the June 7, 2018 agreement, the Company entered into a profit and/or loss sharing arrangement resulting in a portion of the net profits, after a margin deduction to the Company on the sales of Capecitabine and Temozolomide, to be paid to RLS. During the period ended March 31, 2020, the Company elected to not record a recovery from the profit and/or loss arrangement due to unforeseen delays in collections caused by COVID-19 (2019 - \$12,363).

August 30, 2017 agreement

On August 30, 2017, the Company acquired exclusive licenses to sell and market two generic cancer drugs from RLS, in the USA, Canada and EU (excluding the UK where a non-exclusive license was acquired). An up-front payment of US \$20,000 was made upon signing of the term sheet on July 5, 2017 and a US \$180,000 payment was made upon signing of the definitive documentation on August 30, 2017. Additional payments totaling US \$1,200,000 are payable upon certain development and approval-based milestones being met. At March 31, 2020, the Company has paid US \$800,000 of the total US \$1,400,000 amount with US \$600,000 (\$851,220 CAD) recorded as license fee payable. The amount recorded as license fee payable represents the remaining portion of the milestones which have not been met, the remaining milestone payments are recorded as current liabilities as they are expected to be met within one year of March 31, 2020. Additionally, the Company will purchase inventory and pay a royalty of 7.5% of its net sales from these two products to the Licensor. The term of the August 30, 2017 agreement is a period of ten (10) years, which begins when regulatory approval is obtained in the USA.

8. Related party transactions:

(a) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Board of Directors, Chief Financial Officer and Chief Executive Officer of the Company are considered to be key management personnel.

The following table details the compensation paid to key management personnel:

For the three months ended March 31	2020		2019	
Salaries, fees and short-term benefits	\$	23,750	\$	34,952
Stock-based compensation		11,937		38,678
	\$	35,687	\$	73,630

Directors and key management personnel control 75% of the voting shares of the Company as at March 31, 2020 (December 31, 2019 - 75%).

Notes to the Condensed Consolidated Interim Financial Statements
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8. Related party transactions (continued):

(b) Transactions with related parties

During the three months ended March 31, 2020, the Company paid Genesys Venture Inc. (“**GVI**”), a company controlled by a director of the Company, a total of \$1,575 (2019 – \$1,575) for rental of office space and \$722 (2019 – \$2,239) for business administration expenses.

During the three months ended March 31, 2020, the Company paid GVI Clinical Development Solutions (“**GVI CDS**”) a company controlled by a director of the Company, a total of \$218 (2019 – \$115) for regulatory affairs consulting.

These transactions were in the normal course of business and have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at March 31, 2020, included in accounts payable and accrued liabilities is \$481 (December 31, 2019 - \$2,351) payable to GVI; this amount is unsecured, payable on demand and non-interest bearing.

9. Segmented information:

The Company operates in one business segment, the biopharmaceutical industry. The Company’s intangible assets are located in Barbados. All of the Company’s revenue was generated from Consignment Sales within the UK, with one customer accounting for 100% of total revenue for the period ended March 31, 2020.

10. Subsequent events

(a) Considerations given to COVID-19

Subsequent to March 31, 2020, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, continues to result in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results, liquidity and condition of the Company and its operating subsidiaries in future periods.

(b) Considerations given to BREXIT

During June 2016, following a UK-wide referendum, it was decided that the UK would leave the EU in what became known as BREXIT. The agreement between both the EU and UK became ratified on January 30, 2020, and subsequently came into effect on January 31, 2020. Due to the COVID-19 pandemic and the subsequent emergency measures taken place to combat the spread of the virus, the impact of BREXIT on the Company’s operations is unknown. At the time it is not possible to reliably estimate the impact of BREXIT on the Company’s operations.